

WINNEBAGO COUNTY

Forest City, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2006

WINNEBAGO COUNTY
Forest City, Iowa

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WINNEBAGO COUNTY
Forest City, Iowa

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gorden Anderson	Board of Supervisors	January 2009
Robert Joynt	Board of Supervisors	January 2007
Douglas Yeager	Board of Supervisors	January 2007
Jennifer Fjelstad	Auditor	January 2009
Julie Swenson.....	Treasurer	January 2007
Kristin Colby.....	Recorder.....	January 2007
Thomas Lillquist	Sheriff	January 2009
Robert Cooper	Attorney	January 2007
Lowell Ouverson	Assessor	Appointed



Independent Auditors' Report

To the Officials of Winnebago County
Forest City, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winnebago County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Winnebago County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Winnebago County at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 14, 2006 on our consideration of Winnebago County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulation contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 - 9 and 38 - 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winnebago County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6 including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

December 14, 2006

Gardiner Thomsen, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Winnebago County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased slightly, approximately \$409,061, from fiscal 2005 to fiscal 2006. Property tax decreased approximately \$131,657, operating grants, capital grants and contributions increased approximately \$734,884 and charges for services decreased approximately \$382,857.
- Program expenses were 19%, or approximately \$1,598,123 more in fiscal 2006 than in fiscal 2005.
- The County's net assets decreased 3%, or approximately \$273,206 from June 30, 2005 to June 30, 2006.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Winnebago County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Winnebago County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue and the individual Agency Funds.

Reporting the County's Financial Activities

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration or general government, interest on long-term debt and other non-program activities. Property taxes and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Funds. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) Proprietary funds account for the County's Internal Service Fund, Employee Group Health Insurance Account. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 services and the County Assessor, to name a few.

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Winnebago County's combined net assets decreased from a year ago, from \$12.06 million to \$11.79 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	2006	2005
Current and Other Assets	\$9,033	\$8,034
Capital Assets	8,970	8,804
Total Assets	18,003	16,838
Long-Term Debt Outstanding	1,922	892
Other Liabilities	4,290	3,882
Total Liabilities	6,212	4,774
Net Assets:		
Invested in Capital Assets, Net of debt	8,970	8,792
Restricted	2,281	2,591
Unrestricted	540	681
Total Net Assets	\$11,791	\$12,064

Net assets of the Winnebago County's governmental activities decreased by 3% (\$12.06 million compared to \$11.79 million). The largest portion of the County's net assets is the invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenant, enabling legislation or other legal requirements was \$539,813.

Changes in Net Assets of Governmental Activities (Expressed in Thousands)		
	2006	2005
Program Revenues:		
Charges for Service	\$1,429	\$1,811
Operating Grants, Contributions and Restricted Interest	3,744	2,928
Capital Grants, Contributions and Restricted Interest	337	2,012
General Revenues:		
Property Taxes	3,024	3,155
Penalty and Interest on Property Tax	29	23
State Tax Credits	200	195
Local Option Sales Tax	287	278
Unrestricted Investments Earnings	78	58
Other General Revenues	266	119
Total Revenues	9,394	10,579
Program Expenses:		
Public Safety and Legal Services	1,185	1,062
Physical Health and Social Services	701	591
Mental Health	1,233	1,292
County Environment and Education	615	596
Roads and Transportation	3,057	2,769
Government Services to Residents	453	365
Administration	817	747
Non-program	1,606	639
Interest on Long-Term Debt	0	8
Total Expenses	9,667	8,069
Increase (Decrease) in Net Assets	(273)	2,510
Net Assets – Beginning of Year	12,064	9,554
Net Assets – End of Year	\$11,791	\$12,064

The results of governmental activities for the year resulted in Winnebago County's net assets decreasing by approximately \$273,206. Revenues for governmental activities increased by approximately \$409,061 over the prior year, with property tax revenue down from the prior year by approximately \$131,657.

The cost of all governmental activities this year was \$9,667,514 compared to \$8,069,391 last year. However, as shown in the Statement of Activities on page 11, the amount taxpayers ultimately financed for these activities was only \$3.0 million because of the cost was paid by those directly benefiting from the programs (\$1,428,551) or by other governmental and organizations that subsidized certain programs with grants and contributions (\$3.7 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2006 from approximately \$5.157 million to \$5.509 million. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$3.0 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUNDS

As Winnebago County completed the year, its governmental funds reported a combined fund balance of \$3.706 million, an increase of \$101,201 below last year's total of \$3.605 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$126,919 and expenditures increased approximately \$242,085 when compared to the prior year. The ending fund balance showed a decline of \$67,137 from the prior year to \$524,327.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,230,189, a decrease of 5% from the prior year. The Mental Health Fund balance at year end increased by approximately \$69,990 over the prior year.
- Secondary Roads Fund expenditures decreased slightly by approximately \$279,499 over the prior year. The Secondary Roads Fund ending balance increased approximately by \$355,267.
- During the year ended June 30, 2006, the County had collections of assessments and miscellaneous of \$762,492, proceeds of issuance of drainage warrants of \$1,258,992 and payments of \$1,814,561, increasing the Drainage fund balance by approximately \$206,923.

BUDGETARY HIGHLIGHTS

Over the course of the year, Winnebago County amended its budget two times. The amendments were made in February 2006 and May 2006, and resulted in an increase in budgeted disbursements related to Public and Legal Services, Physical Health and Social Services, Roads and Transportation, Government Services to Residents, Administration, Non-Program and Capital Projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2006, Winnebago County had approximately \$8.97 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$164,734 or 1% over last year.

Capital Assets at Year End of Governmental Activities (Expressed in Thousands)		
	2006	2005
Land	\$753	\$702
Buildings and Improvements	3,265	3,129
Equipment	1,785	2,019
Infrastructure	3,167	1,264
Construction in Process	0	1,690
Total	<u>\$8,970</u>	<u>\$8,804</u>
This year's major additions include (expressed in thousands)		
Buildings	\$218	\$58
Equipment and Vehicles	244	420
Infrastructure	2,029	1,221
Construction in Process - Resurfacing	0	1,690
	<u>\$2,491</u>	<u>\$3,389</u>

The County had depreciation expense of \$614,859 for the year ended June 30, 2006 and total accumulated depreciation of \$4.209 million at June 30, 2006.

The County's fiscal year 2006 capital budget included \$159,500 for capital projects, principally for continued upgrading of secondary roads and bridges. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long – Term Debt

At June 30, 2006, Winnebago County had approximately \$1.909 million in general obligation notes and other debt outstanding compared to approximately \$1.016 million at June 30, 2005, as shown below.

Outstanding Debt at Year-End of Governmental Activities (Expressed in Thousands)		
	2006	2005
General Obligation Notes	\$13	\$25
Capital Lease Purchase Agreements	0	12
Drainage Warrant and Improvement Certificates	1,780	855
Compensated Absences	116	124
	<u>\$1,909</u>	<u>\$1,016</u>

Debt increased as a result of issuing Drainage Warrants.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Winnebago County's outstanding general obligation debt is significantly below its constitutional debt limit of \$28.9 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Winnebago County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates, and the fees that will be charged for various County activities.

One of those factors is the economy. The county's nonagricultural employment averaged an increase of 1% in 2006. The population in Winnebago County, however, declined again in 2006 by averaging a 1% decline. Unemployment in the County now stands at 3.2% versus 4.6% a year ago which shows a change of 1.4% with less people being unemployed in the county. This compares with the state unemployment rate of 3.5% for 2006 and the national rate of 4.5% for 2006. This shows that Winnebago County's citizens are finding employment and continuing to stay employed.

The State's Consumer Price Index increase was 3.8% for fiscal year 2006, compared with the national rate of 2.6% for 2006. Inflation may have risen in Iowa, more than the national rate, probably due in part by the continued increase throughout 2006 for energy costs, food costs, and healthcare costs. The Consumer Price Index reflects increases or decreases in goods and services purchased by households. These goods and services include food, clothing, shelter, fuels, transportation, and healthcare.

With more dollars being spent on basic living expenses, Winnebago County's citizens' needs were considered when preparing the 2007 County Budget. Amounts available for appropriation in the operating budget are \$9,692,801 million. That is a decrease of 6% from the fiscal year 2006 budget. Budgeted disbursements are expected to increase by approximately \$367,394. The county has added no major new programs or initiatives in the 2007 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Winnebago County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Winnebago County Auditor's Office, 126 South Clark Street, Forest City, Iowa.

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$2,620,426
Receivables:	
Property Tax:	
Delinquent	21,130
Succeeding Year	3,509,630
Interest & Penalty On Property Tax	3
Accounts	276,357
Accrued Interest	11,816
Drainage Assessments	458,967
Due From Other Governments	1,339,757
Notes Receivable	5,000
Inventories	733,370
Prepaid Insurance	56,918
Capital Assets (Net of Accumulated Depreciation)	8,969,724
TOTAL ASSETS	18,003,098
LIABILITIES	
Accounts Payable	483,098
Accrued Interest Payable	119,666
Salaries & Benefits Payable	21,767
Due To Other Governments	155,389
Deferred Revenue	
Succeeding Year Property Tax	3,509,630
Long Term Liabilities:	
Portion Due Or Payable Within One Year:	
Notes & Contracts	12,640
Compensated Absences	126,158
Portion Due Or Payable After One Year:	
Compensated Absences	3,193
Drainage Warrant/Improvement Certificates	1,780,429
TOTAL LIABILITIES	6,211,970
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	8,969,724
Restricted For:	
Mental Health Purposes	455,983
Secondary Roads Purposes	1,794,961
Drainage Warrants/Improvements	(526,763)
Other Purposes	557,410
Unrestricted	539,813
TOTAL NET ASSETS	\$11,791,128

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

		Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions, & Restricted Interest	Net (Expense) Revenue & Changes in Net Assets
FUNCTIONS/PROGRAMS:					
GOVERNMENTAL ACTIVITIES:					
Public Safety & Legal Services	\$1,184,782	\$174,090	\$10,183	\$ 0	\$(1,000,509)
Physical Health & Social Services	701,508	259,254	104,944	0	(337,310)
Mental Health	1,233,256	618	864,970	0	(367,668)
County Environment & Education	615,116	18,164	29,931	84,105	(482,916)
Roads & Transportation	3,056,642	299,946	1,709,433	253,019	(794,244)
Governmental Services to Residents	453,105	299,588	0	0	(153,517)
Administrative Services	816,854	118,523	1,921	0	(696,410)
Non-Program	1,606,251	258,368	1,022,179	0	(325,704)
TOTAL	\$9,667,514	\$1,428,551	\$3,743,561	\$337,124	(4,158,278)
GENERAL REVENUES:					
Property & Other County Tax Levied For:					
General Purposes					3,023,806
Penalty & Interest on Property Tax					29,813
State Tax Credits					200,274
Local Option Sales Tax					287,174
Tax Increment Financing					129,648
Unrestricted Investment Earnings					78,639
Miscellaneous					70,291
Gain on Disposal of Capital Assets					65,427
TOTAL GENERAL REVENUES					3,885,072
CHANGE IN NET ASSETS					(273,206)
NET ASSETS, BEGINNING OF YEAR, As Restated (Note 14)					12,064,334
NET ASSETS END OF YEAR					\$11,791,128

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2006

		Special Revenue	
	General	Mental Health	Rural Services
ASSETS			
Cash & Pooled Investments	\$410,109	\$560,663	\$250,998
Receivables:			
Property Tax:			
Delinquent	12,035	2,912	6,183
Succeeding Year	1,811,522	408,967	1,066,539
Interest & Penalty on Property Tax	3	0	0
Accounts	30,272	25	0
Accrued Interest	11,222	0	0
Drainage Assessments	0	0	0
Due From Other Funds	6,862	0	0
Due From Other Governments	77,251	56,012	0
Notes Receivable	0	0	0
Inventories	0	0	0
Prepaid Insurance	33,691	0	0
TOTAL ASSETS	\$2,392,967	\$1,028,579	\$1,323,720
LIABILITIES & FUND BALANCES			
Liabilities:			
Accounts Payable	\$38,830	\$17,473	\$22,056
Interest Payable	0	0	0
Salaries & Benefits Payable	1,968	247	3,732
Due To Other Governments	4,322	145,909	66
Deferred Revenue:			
Succeeding Year Property Tax	1,811,522	408,967	1,066,539
Other	11,998	2,903	6,170
Total Liabilities	1,868,640	575,499	1,098,563
Fund Balances			
Reserved For:			
Inventories	0	0	0
Notes Receivable	0	0	0
Unreserved, Reported In:			
General Fund	524,327	0	0
Special Revenue Funds	0	453,080	225,157
Total Fund Balances	524,327	453,080	225,157
TOTAL LIABILITIES & FUND BALANCES	\$2,392,967	\$1,028,579	\$1,323,720

See Notes To Financial Statements

Exhibit C

Special Revenue		Nonmajor Special Revenue	Total
Secondary Roads	Drainage		
\$925,782	\$132,972	\$280,782	\$2,561,306
0	0	0	21,130
0	0	222,602	3,509,630
0	0	0	3
220,570	0	25,490	276,357
0	0	594	11,816
0	458,967	0	458,967
0	0	0	6,862
143,116	1,022,180	41,198	1,339,757
5,000	0	0	5,000
733,370	0	0	733,370
23,227	0	0	56,918
<u>\$2,051,065</u>	<u>\$1,614,119</u>	<u>\$570,666</u>	<u>\$8,981,116</u>
\$146,543	\$242,765	\$11,033	\$478,700
0	117,687	0	117,687
15,820	0	1,979	23,746
2,293	0	2,799	155,389
0	0	222,602	3,509,630
0	968,928	0	989,999
<u>164,656</u>	<u>1,329,380</u>	<u>238,413</u>	<u>5,275,151</u>
733,370	0	0	733,370
5,000	0	0	5,000
0	0	0	524,327
<u>1,148,039</u>	<u>284,739</u>	<u>332,253</u>	<u>2,443,268</u>
<u>1,886,409</u>	<u>284,739</u>	<u>332,253</u>	<u>3,705,965</u>
<u>\$2,051,065</u>	<u>\$1,614,119</u>	<u>\$570,666</u>	<u>\$8,981,116</u>

**WINNEBAGO COUNTY
Forest City, Iowa**

**RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**

June 30, 2006

Total Governmental Fund Balances (page 12-13)	\$3,705,965
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is \$13,178,563 and the accumulated depreciation is \$4,208,839.	8,969,724
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Other long term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	989,999
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The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	47,860
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Long-term liabilities, including capital lease purchase agreements payable, notes payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,922,420)</u>
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Net Assets of Governmental Activities (page 10)	<u><u>\$11,791,128</u></u>
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See Notes to Financial Statements.

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	Special Revenue		
	General	Mental Health	Rural Services
REVENUES:			
Property & Other County Tax	\$1,681,098	\$406,801	\$937,710
Interest & Penalty on Property Tax	29,813	0	0
Intergovernmental	488,947	892,520	58,763
Licenses & Permits	0	0	370
Charges for Services	370,178	0	0
Use of Money & Property	77,451	0	0
Miscellaneous	109,838	858	885
Total Revenues	<u>2,757,325</u>	<u>1,300,179</u>	<u>997,728</u>
EXPENDITURES:			
Operating:			
Public Safety & Legal Services	1,113,853	0	1,926
Physical Health & Social Services	913,455	0	0
Mental Health	0	1,230,189	0
County Environment & Education	172,304	0	193,893
Roads & Transportation	0	0	232,911
Governmental Services to Residents	433,836	0	8
Administrative Services	733,058	0	4,380
Non-program	310	0	4,000
Capital Projects	0	0	0
Total Expenditures	<u>3,366,816</u>	<u>1,230,189</u>	<u>437,118</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(609,491)</u>	<u>69,990</u>	<u>560,610</u>
Other Financing Sources (Uses):			
Sale of Capital Assets	0	0	0
Operating Transfers In	614,340	0	123,611
Operating Transfers Out	(71,986)	0	(784,457)
Proceeds of Issuance of Stamped Warrants	0	0	0
Total Other Financing Sources (Uses)	<u>542,354</u>	<u>0</u>	<u>(660,846)</u>
Net Change in Fund Balances	(67,137)	69,990	(100,236)
Fund Balances – Beginning of Year	591,464	383,090	325,393
Decrease In Reserve for Notes Receivable	0	0	0
Decrease in Reserve For Inventories	0	0	0
Fund Balances – End of Year	<u>\$524,327</u>	<u>\$453,080</u>	<u>\$225,157</u>

See Notes To Financial Statements

Exhibit E

<u>Special Revenue</u> Secondary Roads	Drainage	Nonmajor Special Revenue	Total
\$ 0	\$ 0	\$416,822	\$3,442,431
0	0	0	29,813
1,746,578	0	105,158	3,291,966
1,070	0	0	1,440
5,948	0	150,634	526,760
1,500	0	9,469	88,420
317,124	762,492	39,066	1,230,263
2,072,220	762,492	721,149	8,611,093
0	0	43,725	1,159,504
0	0	8,456	921,911
0	0	0	1,230,189
0	0	211,005	577,202
2,556,496	0	0	2,789,407
0	0	9,359	443,203
0	0	0	737,438
0	1,814,561	77,857	1,896,728
54,437	0	62,890	117,327
2,610,933	1,814,561	413,292	9,872,909
(538,713)	(1,052,069)	307,857	(1,261,816)
139,275	0	0	139,275
789,955	0	156,488	1,684,394
0	0	(827,951)	(1,684,394)
0	1,258,992	0	1,258,992
929,230	1,258,992	(671,463)	1,398,267
390,517	206,923	(363,606)	136,451
1,531,142	77,816	695,859	3,604,764
(2,500)	0	0	(2,500)
(32,750)	0	0	(32,750)
\$1,886,409	\$284,739	\$332,253	\$3,705,965

**WINNEBAGO COUNTY
Forest City, Iowa**

**RECONCILIATION OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds (page 15-16) **\$101,201**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$596,367	
Capital assets contributed by the Iowa Department of Transportation	215,875	
Capital assets contributed by the Iowa Department of Natural Resources	38,700	
Depreciation Expense	<u>(614,859)</u>	236,083

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. (71,348)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds.

Property tax	(1,803)	
Other	<u>425,263</u>	423,460

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the Statement of Net Assets. Current year issues exceeded repayments as follows:

Issued	(1,258,992)	
Repaid	<u>357,972</u>	(901,020)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	(5,391)	
Interest on long-term debt	<u>341</u>	(5,050)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities (56,532)

Change in Net Assets of Governmental Activities (page 11) **\$(273,206)**

See Notes to Financial Statements

**WINNEBAGO COUNTY
Forest City, Iowa****STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2006**

	Internal Service Employee Group Health
<hr/>	
ASSETS	
Cash & Cash Equivalents	\$52,258
<hr/>	
LIABILITIES	
Accounts Payable	\$4,398
<hr/>	
NET ASSETS	
Unrestricted	\$47,860
<hr/>	

See Notes To Financial Statements

**WINNEBAGO COUNTY
Forest City, Iowa****STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2006**

	Internal Service Employee Group Health
Operating Revenues:	
Reimbursements from Operating Funds	\$706,259
Reimbursements from Employees	31,405
Total Operating Revenues	737,664
Operating Expenses:	
Medical Claims	235,428
Insurance Premiums	557,612
Administrative Fees	1,156
Total Operating Expenses	794,196
Net Loss	(56,532)
Net Assets Beginning of Year	104,392
Net Assets End of Year	\$47,860

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2006

	Internal Service Employee Group Health
Cash Flows from Operating Activities:	
Cash Received from Operating Fund Reimbursements	\$706,258
Cash Received from Employees and Others	31,405
Cash Payments to Suppliers for Services	(789,797)
Net Cash Used in Operating Activities	(52,134)
Net Decrease in Cash and Cash Equivalents	(52,134)
Cash and Cash Equivalents at Beginning of Year	104,392
Cash and Cash Equivalents at End of Year	\$52,258
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	\$(56,532)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Increase in Accounts Payable	4,398
Net Cash Used in Operating Activities	\$(52,134)

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2006

ASSETS

Cash & Pooled Investments	
County Treasurer	\$532,143
Other County Officials	6,638
Receivables:	
Property Tax:	
Delinquent	191
Succeeding Year	8,240,640
Accounts	19,415
Accrued Interest	362
Assessments	379,881
TOTAL ASSETS	9,179,270

LIABILITIES

Accounts Payable	7,203
Due To Other Governments	9,150,615
Trusts Payable	21,452
TOTAL LIABILITIES	9,179,270

NET ASSETS	\$ 0
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See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Winnebago County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are presented in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. REPORTING ENTITY

For financial reporting purposes, Winnebago County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Winnebago County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One hundred drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Winnebago County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of these drainage districts can be obtained from the Winnebago County Auditor's office.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The Winnebago County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Winnebago County Assessor's Conference Board and Winnebago County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. BASIS OF PRESENTATION

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the county and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other non-exchange transactions.

The Statement of Net Assets presents the County's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary fund and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the secondary road construction and maintenance.

The Drainage Fund is used to account for special assessments against benefited properties and the payment of drainage warrants and drainage improvement certificates.

Additionally, the County reports the followings funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods and services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency funds are used to account for assets held by the county as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units, and/or other funds.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However principal and interest on long term debt, claims, judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply the cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on a cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY

The following accounting policies are followed in preparing the combined balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2005.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable, but has not been collected.

Drainage Assessment Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-50
Infrastructure	30-50
Equipment	2-20

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as delinquent property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded amounts budgeted in the Non-Program function and disbursements in certain departments exceed the amounts appropriated.

Notes to Financial Statements (Continued)

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk: The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Concentration of credit risk: The County places no limit on the amount that may be invested in any one issuer.

Note 3: Due from and Due to Other Funds

The detail of inter-fund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Agency:	
	Auto License and Use Tax	\$6,862

These balances result from the time lag between the dates that inter-fund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Notes to Financial Statements (Continued)

Note 4: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2006 is as follows:

Transfer To	Transfer From	Amount
	Special Revenue:	
General	Local Option Sales Tax	\$215,120
General	County Home Trust	312,718
General	LHAP	4,121
General	Solid Waste Management	10,196
General	Emergency	72,185
Special Revenue:	Special Revenue:	
Rural Services	Local Option Sales Tax	71,707
Rural Services	Tax Increment Financing	51,904
Secondary Roads	Rural Services	752,969
Fair Association	Rural Services	31,488
Housing	Solid Waste Management	90,000
Winnebago/Worth BETCO	General	35,000
Secondary Roads	General	36,986
Agency:	Agency:	
E911 Operating	E911 Surcharge	88,594
Assessor	Assessor FICA	10,185
Assessor	Assessor IPERS	7,485
Total		<u>\$1,790,658</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Notes to Financial Statements (Continued)

Note 5: Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$701,528	\$51,600	\$ 0	\$753,128
Construction in Progress	1,690,223	0	1,690,223	0
Total Capital Assets not being Depreciated	2,391,751	51,600	1,690,223	753,128
Capital Assets being Depreciated:				
Buildings	3,309,366	217,870	0	3,527,236
Improvements other than Buildings	446,894	0	0	446,894
Machinery and Equipment	3,374,627	200,303	275,204	3,299,726
Vehicles	2,016,162	42,886	216,781	1,842,267
Infrastructure, Road Network	1,280,807	2,028,505	0	3,309,312
Total Capital Assets being Depreciated	10,427,856	2,489,564	491,985	12,425,435
Less Accumulated Depreciation for:				
Buildings	433,603	68,240	0	501,843
Improvements other than Buildings	193,622	13,601	0	207,223
Machinery and Equipment	2,145,581	246,108	203,856	2,187,833
Vehicles	1,225,662	160,704	216,781	1,169,585
Infrastructure	16,149	126,206	0	142,355
Total Accumulated Depreciation	4,014,617	614,859	420,637	4,208,839
Total Capital Assets being Depreciated, Net	6,413,239	1,874,705	71,348	8,216,596
Governmental Activities Capital Assets, Net	\$8,804,990	\$1,926,305	\$1,761,571	\$8,969,724

Depreciation expense was charged to the following functions:

Governmental Activities	
Public Safety and Legal Services	\$41,267
Physical Health and Social Services	4,391
Mental Health	1,341
County Environment and Education	17,243
Roads and Transportation	465,769
Governmental Services to Residents	11,038
Administration	73,810
Total Depreciation Expense	
– Governmental Activities	\$614,859

Notes to Financial Statements (Continued)

Note 6: Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$4,322
Special Revenue		
Mental Health	Services	145,909
Rural Services	Services	66
Secondary Roads	Services	2,293
EMS Training/Ambulance	Services	2,799
		<u>\$155,389</u>
Total for governmental funds		
Agency:		
Agricultural Extension	Collections	\$111,049
Assessor		162,557
Schools		5,011,541
Community Colleges		231,239
Corporations		2,666,630
Auto License & Use Tax		227,634
All Others		739,965
Total for agency funds		<u>\$9,150,615</u>

Note 7: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$123,960	\$ 0	\$7,838	\$116,122	\$116,122
Drainage Warrants	828,182	1,258,992	328,570	1,758,604	0
Drainage Improvement Certificates	26,191	0	4,366	21,825	4,366
Conservation Lease	12,396	0	12,396	0	0
Secondary Road	25,279	0	12,639	12,640	12,640
Total	<u>\$1,016,008</u>	<u>\$1,258,992</u>	<u>\$365,809</u>	<u>\$1,909,191</u>	<u>\$133,128</u>

Notes to Financial Statements (Continued)

Note 7: Changes in Long-Term Liabilities (Continued)

Conservation Lease

During the year ended June 30, 2004, the conservation board entered into a lease agreement for a tractor and loader. Payments during the year totaled \$12,396 which paid the lease in full.

Installment Agreements

During the year ended June 30, 2004, the County entered into an installment agreement for rock crushing. The payments are based on a per ton basis. The agreement has no interest. A summary of payments over the life of the agreement is as follows:

Year Ending	Total
June 30,	
2007	\$12,640

Drainage Warrants/Drainage Improvement Certificates Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing those assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs.

Drainage improvement certificates are redeemed and interest paid to the bearer of the certificate upon receipt of the installment payment plus interest, from the landowner.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue Fund solely from drainage assessment against benefited properties.

Note 8: Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Notes to Financial Statements (Continued)

Note 8: Pension and Retirement Benefits (Continued)

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$158,861, \$158,238 and \$156,484, respectively, equal to the required contributions for each year.

Note 9: Risk Management

Winnebago County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expense due and payable in the current year, plus all of any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contribution to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2006 were \$79,992.

The Pool uses reinsurance and excess risk sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000 such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

Notes to Financial Statements (Continued)

Note 9: Risk Management (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue such membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Member withdrawing within the first six years of membership may receive a partial refund of the capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for the coverage associated with worker's compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The County assumes responsibility for worker's compensation and employee blanket bond claims in excess of \$1,000,000 and \$50,000, respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10: Employee Health Insurance

The Internal Service, Employee Group Health was established to account for the funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark.

Monthly payments of plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the agreement with Wellmark monthly payments of premiums are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2006 was \$706,259.

Note 11: Related Party Transaction

Business transactions were noted between the County and County officials or employees.

Notes to Financial Statements (Continued)

Note 12: Budget Over Expenditures

Per the Code of Iowa, disbursements may not legally exceed amount budgeted by function or amounts appropriated by department. During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the Non-Program Function and disbursements in certain departments exceeded the amounts appropriated.

Note 13: E911 Enhancement Loan

On August 31, 2004, the County entered into an agreement to borrow \$130,000 to improve the E911 service system.

The loan was issued by the Titonka Savings Bank to provide funding for new equipment. The loan is secured by a pledge of surcharge revenues payable to the Joint E911 Service Boards. Loan principal and interest payments are made by the County from the surcharge revenues.

The loan shall not be a general obligation of the E911 Service Board or the County nor shall the County in any manner be liable by reason of the failure of the surcharge revenues or monies available in the fund, to be sufficient for the payment of the loan.

During the year ended June 30, 2006, principal of \$24,882 and interest of \$3,524 were paid for the E911 Service Board. The payments are not included in the County's financial statements.

The following is a schedule of payments under the agreement in effect at June 30, 2006:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2007	3.5%	\$25,766	\$2,639	\$28,405
2008		26,683	1,723	28,406
2009		27,632	774	28,406
2010		7,063	38	7,101
		<u>\$87,144</u>	<u>\$5,174</u>	<u>\$92,318</u>

Note 14: Restatement of Net Assets

During the fiscal year ended June 30, 2006, it was noted that several State infrastructure projects that were in progress during the fiscal year ended June 30, 2005 were not reported. The beginning capital assets have been restated to reflect the correction. Beginning Net Assets on the Statement of Activities have been restated as follows:

Net Assets, June 30, 2005 as Previously Reported	\$10,469,675
Construction in Progress Adjustment	<u>1,594,659</u>
Net Assets, July 1, 2005 as Restated for Governmental Funds	<u>\$12,064,334</u>

Notes to Financial Statements (Continued)

Note 15: Subsequent Events

On July 25, 2006, the County approved a loan agreement with Titonka Savings Bank for \$150,000 at a fixed interest rate of 4.5%.

On July 25, 2006, the County approved the purchase of a 2006 Caterpillar 140H Motor Grader for \$230,885.

On August 8, 2006, the County approved the purchase of a 2006 tandem axle truck with accessories for \$170,275.

WINNEBAGO COUNTY
Forest City, Iowa

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2006**

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
RECEIPTS:						
Property & Other County Tax	\$3,442,190	\$ 0	\$3,442,190	\$3,373,276	\$3,450,776	\$(8,586)
Interest & Penalty on Property Tax	29,847	0	29,847	22,500	22,500	7,347
Intergovernmental	3,192,235	0	3,192,235	3,163,942	3,180,692	11,543
Licenses & Permits	3,942	0	3,942	4,680	4,680	(738)
Charges for Services	529,387	0	529,387	542,920	546,970	(17,583)
Use of Money & Property	81,996	0	81,996	80,937	80,937	1,059
Miscellaneous	512,998	250,272	262,726	136,480	178,615	84,111
Total Receipts	7,792,595	250,272	7,542,323	7,324,735	7,465,170	77,153
DISBURSEMENTS:						
Public Safety & Legal Services	1,152,607	0	1,152,607	1,150,222	1,201,997	49,390
Physical Health & Social Services	912,586	0	912,586	686,918	936,953	24,367
Mental Health	1,248,384	0	1,248,384	1,298,380	1,298,380	49,996
County Environment & Education	567,880	0	567,880	678,267	678,267	110,387
Roads & Transportation	2,798,868	0	2,798,868	2,566,000	2,946,000	147,132
Governmental Services to Residents	448,470	0	448,470	454,365	481,191	32,721
Administrative Services	750,099	0	750,099	877,319	881,919	131,820
Non-Program	1,698,877	1,616,710	82,167	4,000	81,500	(667)
Capital Projects	123,398	0	123,398	145,500	159,500	36,102
Total Disbursements	9,701,169	1,616,710	8,084,459	7,860,971	8,665,707	581,248
Excess (Deficiency) of Receipts Over (Under) Disbursements	(1,908,574)	(1,366,438)	(542,136)	(536,236)	(1,200,537)	658,401
Other Financing Sources, Net	1,398,267	1,258,992	139,275	2,500	2,500	136,775
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses	(510,307)	(107,446)	(402,861)	(533,736)	(1,198,037)	795,176
Balance Beginning of Year	3,071,613	240,418	2,831,195	3,117,530	3,117,530	(286,335)
Balance End of Year	\$2,561,306	\$132,972	\$2,428,334	\$2,583,794	\$1,919,493	\$508,841

See Accompanying Independent Auditors' Report

WINNEBAGO COUNTY
Forest City, Iowa

BUDGET COMPARISON SCHEDULE –
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$7,792,595	\$818,498	\$8,611,093
Expenditures	9,701,169	171,740	9,872,909
Net	(1,908,574)	646,758	(1,261,816)
Other Financing Sources, Net	1,398,267	0	1,398,267
Beginning Fund Balances	3,071,613	533,151	3,604,764
Decrease in Reserve For:			
Notes Receivable	0	(2,500)	(2,500)
Inventories	0	(32,750)	(32,750)
Ending Fund Balances	\$2,561,306	\$1,144,659	\$3,705,965

See Accompanying Independent Auditors' Report

**Winnebago County
Forest City, Iowa**

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each Major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$804,736. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board and for the E911 System by the Joint E911 Service Board.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the Non-Program function and disbursements in certain departments exceeded the amounts appropriated.

WINNEBAGO COUNTY
Forest City, Iowa
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2006

	Resource Enhancement & Protection	County Recorder's Records Management	Conservation Land Acquisition Trust	County Recorder's Electronic Transaction
ASSETS				
Cash & Pooled Investments	\$10,779	\$7,238	\$23,000	\$186
Receivables:				
Property Tax:				
Succeeding Year	0	0	0	0
Accounts	0	631	479	0
Accrued Interest	4	23	3	0
Due from Other Governments	5,126	0	326	0
TOTAL ASSETS	\$15,909	\$7,892	\$23,808	\$186
LIABILITIES & FUND BALANCES				
Liabilities:				
Accounts Payable	\$593	\$ 0	\$1,941	\$ 0
Salaries & Benefits Payable	0	0	0	0
Due To Other Governments	0	0	0	0
Deferred Revenue	0	0	0	0
Total Liabilities	593	0	1,941	0
Fund Balances:				
Unreserved	15,316	7,892	21,867	186
TOTAL LIABILITIES & FUND BALANCES	\$15,909	\$7,892	\$23,808	\$186

See Accompanying Auditor's Report

Local Option Sales Tax	Tax Increment Financing	Seizure	DARE	Jail Phone Account	Board Prisoners	Sheriff's Reserve	Public Health	WinnWorth BETCO	Housing Commission	Solid Waste Management	Employee Health & Wellness	EMS Training/ Ambulance	County Home Trust	Total
\$ 0	\$ 0	\$5,119	\$5,328	\$1,855	\$38,748	\$4,975	\$ 0	\$75,168	\$200	\$ 0	\$15	\$6,523	\$101,648	\$280,782
0	222,602	0	0	0	0	0	0	0	0	0	0	0	0	222,602
0	0	0	0	0	0	0	24,380	0	0	0	0	0	0	25,490
0	0	0	7	7	136	3	0	0	0	49	0	0	362	594
23,336	0	0	0	0	0	0	12,410	0	0	0	0	0	0	41,198
\$23,336	\$222,602	\$5,119	\$5,335	\$1,862	\$38,884	\$4,978	\$36,790	\$75,168	\$200	\$49	\$15	\$6,523	\$102,010	\$570,666
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$6,477	\$2,022	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$11,033
0	0	0	0	0	0	0	1,979	0	0	0	0	0	0	1,979
0	0	0	0	0	0	0	0	0	0	0	0	2,799	0	2,799
0	222,602	0	0	0	0	0	0	0	0	0	0	0	0	222,602
0	222,602	0	0	0	0	0	8,456	2,022	0	0	0	2,799	0	238,413
23,336	0	5,119	5,335	1,862	38,884	4,978	28,334	73,146	200	49	15	3,724	102,010	332,253
\$23,336	\$222,602	\$5,119	\$5,335	\$1,862	\$38,884	\$4,978	\$36,790	\$75,168	\$200	\$49	\$15	\$6,523	\$102,010	\$570,666

WINNEBAGO COUNTY
Forest City, Iowa

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2006**

	Resource Enhancement & Protection	County Recorder's Records Management	Conservation Land Acquisition Trust	County Recorder's Electronic Transaction
Revenues:				
Property and Other County Tax	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental	9,846	0	35,559	0
Charges for Services	0	2,478	1,621	0
Use of Money and Property	58	139	3	46
Miscellaneous	0	0	35,572	0
Total Revenues	9,904	2,617	72,755	46
Expenditures:				
Operating:				
Public Safety and Legal Services	0	0	0	0
Physical Health and Social Services	0	0	0	0
County Environment and Education	9,970	0	0	0
Governmental Services to Residents	0	190	0	9,169
Non-Program	0	0	0	0
Capital Projects	0	0	62,890	0
Total Expenditures	9,970	190	62,890	9,169
Excess (Deficiency) of Revenues Over (Under) Expenditures	(66)	2,427	9,865	(9,123)
Other Financing Sources (Uses):				
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(66)	2,427	9,865	(9,123)
Fund Balances – Beginning of Year	15,382	5,465	12,002	9,309
Fund Balances – End of Year	\$15,316	\$7,892	\$21,867	\$186

See Accompanying Auditor's Report

Local Option Sales Tax	Tax Increment	Seizure	DARE	Jail Phone Account	Board Prisoners	Sheriff's Reserve	Fair Association	Public Health	WinnWorth BETCO	Housing Commission	LHAP	Employee Health & Wellness			EMS Training/ Ambulance			County Home Trust			Total
												Solid Waste Management	Wellness	County	Training/ Ambulance	Home	Trust	Emergency	County	Home	
\$287,174	\$129,648	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$416,822
0	113	0	0	0	0	0	0	12,410	35,000	0	0	0	0	0	12,230	0	0	0	0	0	105,158
0	0	0	0	2,216	19,906	0	0	24,380	0	0	0	100,003	0	0	0	0	0	0	0	0	150,634
0	0	0	73	56	1,053	35	0	0	0	0	55	207	0	0	0	0	7,744	0	0	0	9,469
0	0	0	0	0	0	2,984	0	0	0	0	0	0	0	0	0	0	0	0	0	0	39,066
287,174	129,761	0	73	2,272	20,959	3,019	0	36,790	35,510	0	55	100,240	0	0	12,230	7,744	0	0	0	0	721,149
0	0	0	879	4,000	18,630	5,417	0	0	0	0	0	0	0	0	14,799	0	0	0	0	0	43,725
0	0	0	0	0	0	0	0	8,456	0	0	0	0	0	0	0	0	0	0	0	0	8,456
0	0	0	0	0	0	0	31,488	0	79,547	90,000	0	0	0	0	0	0	0	0	0	0	211,005
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	9,359
0	77,857	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	77,857
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	62,890
0	77,857	0	879	4,000	18,630	5,417	31,488	8,456	79,547	90,000	0	0	0	0	14,799	0	0	0	0	0	413,292
287,174	51,904	0	(806)	(1,728)	2,329	(2,398)	(31,488)	28,334	(44,037)	(90,000)	55	100,240	0	0	(2,569)	7,744	0	0	0	0	307,857
0	0	0	0	0	0	0	31,488	0	35,000	90,000	0	0	0	0	0	0	0	0	0	0	156,488
(286,827)	(51,904)	0	0	0	0	0	0	0	0	0	(4,121)	(100,196)	0	0	0	(312,718)	(72,185)	0	0	0	(827,951)
(286,827)	(51,904)	0	0	0	0	0	31,488	0	35,000	90,000	(4,121)	(100,196)	0	0	0	(312,718)	(72,185)	0	0	0	(671,463)
347	0	0	(806)	(1,728)	2,329	(2,398)	0	28,334	(9,037)	0	(4,066)	44	0	0	(2,569)	(304,974)	(72,185)	0	0	0	(363,606)
22,989	0	5,119	6,141	3,590	36,555	7,376	0	0	82,183	200	4,066	5	1.5	6,293	406,984	72,185	0	0	0	0	695,859
\$23,336	\$ 0	\$5,119	\$5,335	\$1,862	\$38,884	\$4,978	\$ 0	\$28,334	\$73,146	\$200	\$ 0	\$49	\$1.5	\$3,724	\$102,010	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$332,253

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF
FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash & Pooled Investments:				
County Treasurer	\$ 0	\$1,645	\$54,082	\$75,364
Other County Officials	6,638	0	0	0
Receivables:				
Property Tax:				
Delinquent	0	2	2	110
Succeeding Year	0	109,402	108,662	4,936,067
Accounts	599	0	0	0
Accrued Interest	0	0	0	0
Assessments	0	0	0	0
TOTAL ASSETS	\$7,237	\$111,049	\$162,746	\$5,011,541

LIABILITIES

Accounts Payable	\$ 0	\$ 0	\$189	\$ 0
Due to Other Governments	625	111,049	162,557	5,011,541
Trusts Payable	6,612	0	0	0
TOTAL LIABILITIES	\$7,237	\$111,049	\$162,746	\$5,011,541

See Accompanying Independent Auditors' Report

Schedule 3

Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$3,530 0	\$18,842 0	\$1,840 0	\$1,661 0	\$227,634 0	\$147,545 0	\$532,143 6,638
5 227,704 0 0 0	69 2,647,719 0 0 0	1 105,218 0 0 7,832	0 0 0 0 372,049	0 0 0 0 0	2 105,868 18,816 362 0	191 8,240,640 19,415 362 379,881
<u>\$231,239</u>	<u>\$2,666,630</u>	<u>\$114,891</u>	<u>\$373,710</u>	<u>\$227,634</u>	<u>\$272,593</u>	<u>\$9,179,270</u>
\$ 0 231,239 0	\$ 0 2,666,630 0	\$ 0 114,891 0	\$ 0 373,710 0	\$ 0 227,634 0	\$7,014 250,739 14,840	\$7,203 9,150,615 21,452
<u>\$231,239</u>	<u>\$2,666,630</u>	<u>\$114,891</u>	<u>\$373,710</u>	<u>\$227,634</u>	<u>\$272,593</u>	<u>\$9,179,270</u>

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF CHANGES IN
FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor
Assets and Liabilities			
Balances – Beginning of Year	\$1,541	\$108,641	\$168,529
Additions:			
Property and Other County Tax	0	109,129	108,365
E911 Surcharge	0	0	0
State Tax Credits	0	7,221	7,832
Office Fees and Collections	203,501	0	0
Electronic Transaction Fees	0	0	0
Auto License, Use Tax and Postage	0	0	0
Assessments	0	0	0
Trusts	670,336	0	0
Miscellaneous	0	63	412
Total Additions	873,837	116,413	116,609
Deductions:			
Agency Remittances:			
To Other Funds	119,518	0	0
To Other Governments	79,908	114,005	122,392
Trusts Paid Out	668,715	0	0
Total Deductions	868,141	114,005	122,392
Balances – End of Year	\$7,237	\$111,049	\$162,746

See Accompanying Independent Auditors' Report

Schedule 4

Schools	Community Colleges	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$5,038,938	\$233,209	\$2,591,212	\$116,520	\$142,378	\$224,928	\$239,058	\$8,864,954
4,921,376	227,117	2,656,857	105,305	0	0	105,586	8,233,735
0	0	0	0	0	0	105,212	105,212
335,971	15,501	152,750	6,393	0	0	7,435	533,103
0	0	0	0	0	0	0	203,501
0	0	0	0	0	0	2,703	2,703
0	0	0	0	0	2,512,263	0	2,512,263
0	0	0	747	315,642	0	0	316,389
0	0	0	0	0	0	90,671	761,007
2,836	135	0	74	0	0	140,044	143,564
5,260,183	242,753	2,809,607	112,519	315,642	2,512,263	451,651	12,811,477
0	0	0	0	0	79,469	0	198,987
5,287,580	244,723	2,734,189	114,148	84,310	2,430,088	330,179	11,541,522
0	0	0	0	0	0	87,937	756,652
5,287,580	244,723	2,734,189	114,148	84,310	2,509,557	418,116	12,497,161
\$5,011,541	\$231,239	\$2,666,630	\$114,891	\$373,710	\$227,634	\$272,593	\$9,179,270

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF REVENUES BY SOURCE
AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
Revenues:				
Property and Other County Tax	\$3,442,431	\$3,436,568	\$3,425,587	\$3,207,833
Interest and Penalty on Property Tax	29,813	23,197	23,710	25,627
Intergovernmental	3,291,966	3,592,136	3,343,500	3,249,146
Licenses and Permits	1,440	6,688	4,318	5,437
Charges for Service	526,760	635,858	623,015	532,835
Use of Money and Property	88,420	64,266	47,350	77,013
Miscellaneous	1,230,263	672,265	553,359	485,504
Total	<u>\$8,611,093</u>	<u>\$8,430,978</u>	<u>\$8,020,839</u>	<u>\$7,583,395</u>
Expenditures:				
Operating:				
Public Safety and Legal Services	\$1,159,504	\$1,028,856	\$1,068,430	\$947,793
Physical Health and Social Services	921,911	638,859	634,685	595,080
Mental Health	1,230,189	1,283,480	1,319,996	1,425,307
County Environment and Education	577,202	528,916	589,841	292,896
Roads and Transportation	2,789,407	3,056,178	2,846,418	3,205,298
Government Services to Residents	443,203	357,808	334,201	716,100
Administrative Services	737,438	699,019	724,891	2,848
Non-Program	1,896,728	863,504	597,397	812,449
Debt Service	0	327,919	119,324	0
Capital Projects	117,327	282,570	493,070	936,125
Total	<u>\$9,872,909</u>	<u>\$9,067,109</u>	<u>\$8,728,253</u>	<u>\$8,933,896</u>

See Accompanying Independent Auditors' Report

WINNEBAGO COUNTY
Forest City, Iowa

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food			
Stamp Program	10.561		<u>\$9,754</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C095(38)-8J-95	<u>5,242</u>
National Highway Traffic Safety Administration:			
Iowa Department of Public Safety:			
Traffic Safety Bureau:			
Discretionary Innovative Grants to Increase			
Selt Belt Use Rates	20.604		<u>1,177</u>
U.S. Elections Assistance Commission:			
Iowa Secretary of State:			
Help America Vote Act Requirements Payments	90.401	06-HAVA-95-100	93,135
		06-HAVA-95-SA1	<u>4,040</u>
			<u>97,175</u>
U.S. Administration for Children and Families:			
Iowa Secretary of State:			
Voting Access for Individuals with Disabilities			
Grants to States	93.617	06-HAVA-95-001	2,500
		06-HAVA-95-002	1,850
		06-HAVA-95-005	<u>353</u>
			<u>4,703</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
EMS Disaster Preparedness	93.003	5885EM215	<u>5,167</u>
EMS Disaster Preparedness	93.889	5886EM194	<u>2,630</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		<u>11,779</u>
Child Care Mandatory and Matching funds of			
the Child Care and Development Fund	93.596		<u>2,799</u>
Foster Care – Title IV-E	93.658		<u>6,067</u>
Adoption Assistance	93.659		<u>1,488</u>
Medical Assistance Program	93.778		<u>15,688</u>
Social Services Block Grant	93.667		<u>7,795</u>
Social Services Block Grant	93.667		<u>45,554</u>
			<u>53,349</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Federal Emergency Management Agency: Iowa Department of Public Defense: Iowa Homeland Security and Emergency Management Division: Disaster Recovery – Public Assistance	97.036	DR-1518-1A	<u>\$1,022,180</u>
Total			<u>\$1,239,198</u>



Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Officials of Winnebago County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Winnebago County, Forrest City, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated December 14, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Winnebago County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Winnebago County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing the assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weakness. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

Compliance and Other Matters.

As part of obtaining reasonable assurance about whether Winnebago County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Compliance and Other Matters. (Continued)

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Winnebago County and other parties to whom Winnebago County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Winnebago County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

December 14, 2006

Gardiner Thomsen, P.C.



Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Officials of Winnebago County:

Compliance

We have audited the compliance of Winnebago County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. Winnebago County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Winnebago County's management. Our responsibility is to express an opinion on Winnebago County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winnebago County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Winnebago County's compliance with those requirements.

In our opinion, Winnebago County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Winnebago County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Winnebago County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Winnebago County and other parties to whom Winnebago County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

December 14, 2006

Gardiner Thomsen, P.C.

WINNEBAGO COUNTY
Forest City, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Part I: Summary of the Independent Auditor's Results

- (A) Unqualified opinions were issued on the financial statements.
- (B) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (C) The audit did not disclose any non-compliance which is material to the financial statements.
- (D) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (E) The audit disclosed no audit findings which were required to be reported in compliance with Office of Management and Budget Circular A-133, Section .510(a).
- (F) The major program was CFDA Number 97.036 – Disaster Recovery-Public Assistance.
- (G) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (H) Winnebago County did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

REPORTABLE CONDITIONS:

II-A-06 **Segregation of Duties** – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, County Officials should review the operating procedures of each office to obtain the maximum internal control possible under the circumstances.

Response – We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the custody, record-keeping and reconciling function currently performed by each office will be separated and spread among the County Official, Deputy and Clerk.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

WINNEBAGO COUNTY
Forest City, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Part III: Findings and Questioned Costs For Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

No matters were reported.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-06 **Certified Budget** – Disbursements during the year ended June 30, 2006 exceeded the amount budgeted in the Non-Program Function. Disbursements in certain departments exceeded the amounts appropriated. Also, appropriations were not awarded for the February 21, 2006 or the May 30, 2006 budget amendments.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolutions, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will amend the budgets when required. The appropriations will be watched more closely by the departments and will be awarded with each budget amendment.

Conclusion – Response accepted.

IV-B-06 **Questionable Expenditures** – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion date April 25, 1979.

IV-C-06 **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-06 **Business Transactions** – The following business transactions between the County and County officials or employees were noted.

<u>Name and Title</u>	<u>Description</u>	<u>Amount</u>
Sandy Larson – Sheriff Office Secretary Husband owns The Body Works	Insurance deductible for vehicle repair	\$350.00

The transactions with The Body Works do not appear to represent conflicts of interest since the total was not in excess of \$1,500 for the year.

WINNEBAGO COUNTY
Forest City, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

- IV-E-06 **Bond Coverage** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.
- IV-F-06 **Board Minutes** – No transactions were found that we believe should have been approved in the minutes but were not.
- IV-G-06 **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- IV-H-06 **Resource Enhancement and Protection Certification** – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19 (1)(b) of the Code of Iowa in order to receive additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-06 **Economic Development** – During the year ended June 30, 2006, the County paid \$78,770 to various agencies for economic development for which the public purpose was determined and documented.
- IV-J-06 **County Extension Office** – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2006 for the County Extension Office did not exceed the amount budgeted.

News Release

Gardiner Thomsen, P.C. today released an audit report on Winnebago County, Iowa.

Gardiner Thomsen, P.C. reported that the County had local tax revenue of \$12,826,365 for the year ended June 30, 2006, which included \$200,274 in tax credits from the State. The County then forwarded \$8,732,680 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$3,670,715 of the local tax revenue to finance County operations, a 7% decrease from the prior year. Other revenues included charges for service of \$1,428,551, operating grants, contributions and restricted interest of \$3,743,561, unrestricted investment earnings of \$78,639 and other general revenues of \$70,291.

Expenses for the County operations totaled \$9,667,514, a 19% increase from the prior year. Expenses included \$3,056,642 for Roads and Transportation, \$1,606,251 for Non-Program and \$1,233,256 for Mental Health.

A copy of the audit report is available for review in the office of the Auditor of State and the Winnebago County Auditor's office.

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